

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 11 – LEASES**Capital Leases**

King County has entered into agreements to purchase buildings, machinery, and equipment through capital lease and installment purchase agreements. Assets acquired and liabilities incurred through such agreements for governmental funds are accounted for in the Governmental Activities. Such assets and liabilities related to proprietary type funds are accounted for within the proprietary funds (Business-type Activities).

The following is a schedule of capital assets and outstanding liabilities relating to capital lease agreements and installment purchase contracts as of December 31, 2004:

	Capital Assets		Capital Leases Payable	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Land	\$ 21,787,606	\$ -	\$ -	\$ -
Building	124,867,394	4,880,562	141,950,000	3,754,139
Less depreciation	(12,055,540)	(428,415)	-	-
Subtotal	<u>134,599,460</u>	<u>4,452,147</u>	<u>141,950,000</u>	<u>3,754,139</u>
Machinery and equipment	760,972	124,512,423	309,349	9,346,560
Less depreciation	(400,908)	(73,426,864)	-	-
Subtotal	<u>360,064</u>	<u>51,085,559</u>	<u>309,349</u>	<u>9,346,560</u>
Totals	<u>\$ 134,959,524</u>	<u>\$ 55,537,706</u>	<u>\$ 142,259,349</u>	<u>\$ 13,100,699</u>

The following is a schedule, by year, of future minimum lease payments under capital lease and installment purchase agreements together with the present value of the net minimum lease payments as of December 31, 2004:

2005	\$ 9,544,543	\$ 9,782,399
2006	10,714,657	255,000
2007	10,624,257	255,000
2008	10,587,028	255,000
2009	10,584,440	255,000
2010-2014	52,934,498	1,275,000
2015-2019	52,930,958	1,275,000
2020-2024	50,527,307	1,275,000
2025-2029	31,661,876	1,275,000
2030-2033	<u>8,777,000</u>	<u>403,750</u>
Total minimum lease payments	248,886,564	16,306,149
Less: Amount representing interest	<u>(106,627,215)</u>	<u>(3,205,450)</u>
Present value of new minimum lease payments	<u>\$ 142,259,349</u>	<u>\$ 13,100,699</u>

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 11 – CONTINUED**Operating Leases**

The County has numerous operating lease commitments for office space, equipment, radio towers, and railroad tracks. The Information and Telecommunications Services Fund leases computer hardware; these leases include maintenance agreements. Expenditures for the year ended December 31, 2004, for operating lease and rental agreements for office space, equipment, and other operating leases amount to \$28.3 million. The patterns of the future lease payment requirements are systematic and rational. Future minimum lease payments for these leases are as follows:

<u>Year</u>	<u>Office Space</u>	<u>Equipment</u>	<u>Other</u>	<u>Total</u>
2005	\$ 10,443,000	\$ 320,000	\$ 713,000	\$ 11,476,000
2006	9,311,000	265,000	587,000	10,163,000
2007	7,282,000	130,000	387,000	7,799,000
2008	4,010,000	5,000	273,000	4,288,000
2009	2,592,000	-	270,000	2,862,000
2010-2014	7,838,000	-	1,334,000	9,172,000
2015-2019	440,000	-	1,135,000	1,575,000
2020-2024	440,000	-	1,080,000	1,520,000
2025-2029	440,000	-	1,080,000	1,520,000
2030-2034	307,000	-	1,080,000	1,387,000
2035-2039	-	-	1,080,000	1,080,000
2040-2044	-	-	1,080,000	1,080,000
2045-2049	-	-	1,080,000	1,080,000
2050-2053	-	-	700,000	700,000

The County currently leases some of its property to various tenants under long-term, renewable, and noncancelable contracts. Under business-type activities, the King County Airport Enterprise leases out most of the buildings and grounds in the King County International Airport/Boeing Field complex to companies and government agencies in the aviation industry. Some land and building space devoted to governmental activities are also leased out under long-term operating leases.

The following schedule is an analysis of the County's investment in property under long-term, noncancelable operating leases as of December 31, 2004:

	<u>Governmental</u>	<u>Business-type</u>	
	<u>activities</u>	<u>Airport</u>	<u>Other</u>
Land	\$ 380,872	\$ 11,220,347	\$ -
Buildings	1,918,992	45,108,583	411,138
Less depreciation	(637,348)	(23,269,747)	(13,897)
Total cost of property under lease	<u>\$ 1,662,516</u>	<u>\$ 33,059,183</u>	<u>\$ 397,241</u>

**NOTES TO FINANCIAL STATEMENTS
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NOTE 11 – CONTINUED

The following is a schedule of minimum future lease receipts on noncancelable operating leases based on contract amounts and terms as of December 31, 2004:

<u>Year</u>	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>
	<u>Activities</u>		<u>Airport</u>	<u>Other</u>	
2005	\$ 2,113,559	\$	5,897,319	\$ 338,951	\$ 8,349,829
2006	1,983,399		5,886,638	258,951	8,128,988
2007	1,794,634		5,533,299	151,055	7,478,988
2008	1,617,107		5,182,459	-	6,799,566
2009	1,549,464		4,997,081	-	6,546,545
2010-2014	4,505,560		22,004,678	-	26,510,238
2015-2019	3,480,353		19,073,139	-	22,553,492